

**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of Washington by:

SATELLITE PARTNERS, INC. d/b/a SATELLITE
CAPITAL GROUP II; VIRTUAL VEGAS, LLC;
MADE BY KIDDIES, INC.; SILVIA Z. REYES;
JOHN TEMPLE; RICHARD HINES; W. STEVEN
TEMPLE; RON CARTER; their employees and
agents,

Respondents.

SDO - 113 - 00

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL ORDER
TO CEASE AND DESIST AS TO SATELLITE
PARTNERS, INC. d/b/a SATELLITE CAPITAL
GROUP II, VIRTUAL VEGAS, LLC, AND MADE
BY KIDDIES, INC.

Case No. 00-03-0099

THE STATE OF WASHINGTON TO:

SATELLITE PARTNERS, INC. d/b/a SATELLITE CAPITAL
GROUP II
VIRTUAL VEGAS, LLC
MADE BY KIDDIES, INC.

On June 19, 2000, the Securities Administrator of the State of Washington issued Summary Order to Cease and Desist SDO-69A-00 hereinafter referred to as "Summary Order."

The Summary Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing (hereinafter referred to as "Notice of Opportunity for Hearing") and an Application for Adjudicative Hearing (hereinafter referred to as "Application for Hearing") thereon, were served via certified mail on Respondents Satellite Partners, Inc. d/b/a Satellite Capital Group II and Virtual Vegas, LLC on June 23, 2000, and was served via certified mail on Respondent Made by Kiddies, Inc. on June 29, 2000. The Notice of Opportunity for Hearing advised Respondents that they had twenty days from the date they received the notice to file a written application for an administrative hearing on the Summary Order.

ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF
LAW AND FINAL ORDER TO CEASE AND DESIST AS TO
SATELLITE PARTNERS, INC. d/b/a SATELLITE CAPITAL
GROUP II, VIRTUAL VEGAS, LLC, AND MADE BY KIDDIES,
INC.

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 Respondents failed to request an administrative hearing within twenty days of its receipt of the Summary Order
2 and Notice of Opportunity for Hearing, either on the Application for Hearing provided or otherwise.

3 The Securities Administrator therefore adopts as final the findings of fact and conclusions of law as set forth in
4 the Summary Order as to Satellite Partners, Inc. d/b/a Satellite Capital Group II, Virtual Vegas, LLC, and Made by
5 Kiddies, Inc.

6 The Securities Administrator makes the following findings of fact and conclusions of law:

7 **FINDINGS OF FACT**

8 **I. Respondents**

9 1.1 SATELLITE PARTNERS, INC. ("Satellite Partners") is a Nevada corporation with business addresses of 8665
10 Wilshire Blvd., Suite 300, Beverly Hills, California, and 6447 Silver Dawn Lane, Las Vegas, Nevada. Satellite
11 Partners sometimes uses the trade name "Satellite Capital Group II" to conduct business. Satellite Capital
12 Group II has a business address at 3600 Wilshire Blvd., Suite 1426, Los Angeles, California.

13 1.2 VIRTUAL VEGAS, LLC ("Virtual Vegas") is a Nevada limited liability company with a business address of
14 6447 Silver Dawn Lane, Las Vegas, Nevada.

15 1.3 MADE BY KIDDIES, INC. ("Made by Kiddies") is a Nevada corporation with a business address of P.O. Box
16 75240, Los Angeles, California.

17 1.4 SILVIA Z. REYES is the Initial Managing Member of Virtual Vegas, LLC.

18 1.5 JOHN TEMPLE is the Chairman and Chief Executive Officer of Satellite Partners, Inc.

19 1.6 RICHARD HINES is the President and Chief Operating Officer of Satellite Partners, Inc.

20 1.7 W. STEVEN TEMPLE is the Chief Financial Officer of Satellite Partners, Inc.

21 1.8 RON CARTER is the Vice-President of Marketing for Satellite Partners, Inc., and acted as a sales agent for
22 Satellite Partners and for Satellite Capital Group II.

II. Introduction

Beginning in March 2000 and continuing through April 2000, Satellite Partners, Virtual Vegas, Made by Kiddies, Silvia Z. Reyes, John Temple, Richard Hines, and W. Steven Temple, through their agents, including Ron Carter, offered a Securities Division staff member LLC units at \$5,000 per unit.

III. Nature of the Offering

3.1 On March 21, 2000, a staff member with the Securities Division received an unsolicited phone call regarding an investment opportunity from a female who identified herself as "Mary." This staff member then posed as a prospective purchaser of this investment opportunity. Mary stated that she represented a company that involved in the research, development and production of computer games on the internet, and that was currently soliciting investors. She represented that investors in this company could expect a 100% return on their investment in one year. Mary concluded the conversation by saying that she would have someone call back with further details about the investment, which involved an internet game named "Extreme Vegas."

3.2 On March 23, 2000 an individual named "Steve" phoned the staff member and asked for mailing address information in order to send him some materials via overnight mail regarding the investment opportunity.

3.3 The staff member received an overnight package from Respondent Satellite Partners, Inc. on March 28, 2000. This overnight package contains offering literature concerning the investment opportunity with Satellite Partners, Inc., Made by Kiddies, Inc., and Virtual Vegas, LLC. Included in this offering literature is a glossy brochure describing these three entities in brief. According to the brochure, Satellite Partners, Inc. formed Virtual Vegas, LLC and is offering 400 membership units in the LLC at \$5,000 per unit. The brochure contains one year and five year income projections for the LLC, including that the LLC will have cumulative earnings reaching \$50,000,000 by the year 2005 through the sales of the internet game "Extreme Vegas – The Online Game." The brochure also contains information detailing an investor's potential return on his or her investment. A person who invests \$5,000 is projected to earn a

1 return of 105% in one year. The brochure contains a description of the management team of Satellite Partners, Inc.,
2 which includes John Temple, Richard Hines, and W. Steven Temple.

3 3.4 In addition to the glossy brochure, the overnight package from Satellite Partners also contains a booklet entitled
4 "Virtual Vegas, L.L.C. Membership Documents." In this booklet, Silvia Z. Reyes is listed as the LLC's Initial
5 Managing Member. Included in this booklet is a Subscription Agreement which directs the purchaser to invest \$5,000
6 per LLC unit purchased, and states that a minimum purchase of \$10,000 per member is required. Purchasers are
7 instructed to sign the Subscription Agreement, and make the investment check payable to Virtual Vegas. Included in
8 the overnight package is a Fed Ex Airbill that the purchaser may use to send the agreement and the investment check
9 to Satellite Partners at 8665 Wilshire Blvd., Suite 300, Beverly Hills, CA 90211.

10 3.5 On March 31, 2000 an individual who identified himself as Ron Carter phoned the staff member regarding the
11 investment opportunity. Carter asked if the staff member could invest at least \$20,000 for the purchase of four LLC
12 units. The conversation ended when the staff member said that he could invest, but would like to confirm the
13 investment at a later date.

14 3.6 On April 14, 2000 Ron Carter again phoned the staff member to discuss the investment. Carter discussed
15 Virtual Vegas's business partnership with Made by Kiddies, Inc. Carter said that Made by Kiddies develops internet
16 computer games, including the game "ExtremeVegas.com" mentioned in the brochure, and that Satellite Partners, Inc.
17 and Virtual Vegas, LLC would market and sell this game to consumers. During the course of this conversation, the
18 staff member informed Carter that he had little computer skills and would not be able to be an active member of the
19 LLC were he to invest. Carter said that a lack of computer skills would not be a handicap to participating in the LLC,
20 due to the staff member's experience in the landscaping business. Carter mentioned that he had already sold the
21 investment to around 150 senior citizens in March of 2000, and that the investment was close to being "sold out."
22 Carter directed the staff member to look at the Virtual Vegas, L.L.C. Membership Documents he had received in the
23 mail and to turn to page 22 (the Subscription Agreement). Carter told the staff member to fill out the appropriate

1 information on the subscription agreement and instructed him to send the agreement, along with an investment check,
2 to Satellite Partners. The conversation then concluded.

3 **IV. Misrepresentations and Omissions**

4 4.1 Respondents failed to provide the offeree with a disclosure document containing complete material
5 information about the investment opportunity described above, including but not limited to financial statements of
6 Satellite Partners, Inc. d/b/a Satellite Capital Group II, Made by Kiddies, Inc. and Virtual Vegas, LLC.

7 4.2 The offering literature sent by the Respondents did not identify the following: the principals in Satellite
8 Partners, Inc. d/b/a Satellite Capital Group II, Made by Kiddies, Inc. and Virtual Vegas, LLC; their business
9 experience and track record; the basis for claiming that investors may earn a return of 105% in one year; and what
10 compensation Ron Carter was to receive for acting as a sales agent for those entities.

11 **V. Registration Status**

12 Satellite Partners, Inc. d/b/a Satellite Capital Group II, Made by Kiddies, Inc. and Virtual Vegas, LLC are
13 not currently registered to sell its securities in the state of Washington and have not previously been so registered.
14 Ron Carter is not currently registered as a securities salesperson or broker-dealer in the State of Washington and has
15 not previously been so registered.

16 **VI. Lack of Compliance with the Administrator's Investigation**

17 The Securities Administrator lawfully issued Subpoena Duces Tecum, SDS-83-00, which was served via
18 certified mail on Respondent Satellite Partners, Inc. on May 8, 2000. SDS-83-00 advised Satellite Partners that it
19 had until May 29, 2000 to respond. As of the date this order was entered, Satellite Partners has failed to respond to this
20 subpoena.

21
22 Based upon the above Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

I.

The offer of the investment with Satellite Partners, Inc. d/b/a Satellite Capital Group II, Made by Kiddies, Inc. and/or Virtual Vegas, LLC described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12), to wit: evidence of indebtedness; an investment contract; or risk capital.

II.

The offer of said securities was made in violation of RCW 21.20.010 because, as set forth in paragraph IV of the Tentative Findings of Fact, Respondents omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

III.

The offer of said securities is in violation of RCW 21.20.140 because no registration for such offer and/or sale is on file with the Securities Administrator of the state of Washington.

IV.

Respondent Ron Carter has violated RCW 21.20.040 by offering said securities while not being registered as a securities salesperson, broker-dealer, or investment adviser in the state of Washington.

ORDER

Based upon the above Findings of Fact and Conclusions of Law, it is hereby:

ORDERED that Respondents Satellite Partners, Inc. d/b/a Satellite Capital Group II, Virtual Vegas, LLC, Made by Kiddies, Inc., and their employees and agents, each cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act.

It is further ORDERED that Respondents Satellite Partners, Inc. d/b/a Satellite Capital Group II, Virtual Vegas, LLC, Made by Kiddies, Inc., and their employees and agents, each cease and desist from violating RCW 21.20.140 by offering and/or selling unregistered securities.

1 This Order is entered pursuant to RCW 21.20.390 and is subject to the provisions of ch. 34.05 RCW.

2 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

3 DATED this 13TH day of December, 2000.

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6 DEBORAH R. BORTNER
7 Securities Administrator

8 Approved by:

Presented by:

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10 _____
11 Michael E. Stevenson
12 Chief of Compliance

13 _____
14 Chad Standifer
15 Staff Attorney

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25 LAW AND FINAL ORDER TO CEASE AND DESIST AS TO
26 SATELLITE PARTNERS, INC. d/b/a SATELLITE CAPITAL
27 GROUP II, VIRTUAL VEGAS, LLC, AND MADE BY KIDDIES,
INC.